

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

INTERSCOPE RECORDS, MOTOWN RECORD)	CV 10-1662 SVW (PJWx)
COMPANY, L.P., and UMG)	
RECORDINGS, INC.,)	
)	
Plaintiffs,)	
)	
v.)	ORDER GRANTING IN PART AND
)	DENYING IN PART PLAINTIFFS'
)	MOTION TO STRIKE AFFIRMATIVE
TIME WARNER, INC., WARNER BROS.)	DEFENSES [123]
ENTERTAINMENT, INC., WARNER BROS.)	
DOMESTIC TELEVISION DISTRIBUTION,)	
INC., WARNER BROS. TELEVISION,)	
TELEPICTURES PRODUCTIONS, INC.,)	
WAD PRODUCTIONS, INC. (d/b/a "THE)	
ELLEN Degeneres SHOW"), A VERY)	
GOOD PRODUCTION, and CRAZY)	
MONKEY, INC. (d/b/a A VERY GOOD)	
PRODUCTION),)	
)	
Defendants.)	

I. INTRODUCTION

Plaintiffs Interscope Records, Motown Record Company, L.P. and UMG Recordings, Inc. (collectively, "Plaintiffs") filed the present copyright infringement action against Defendants Time Warner, Inc., Warner Bros. Entertainment, Inc., Warner Bros. Domestic Television Distribution, Inc., Warner Bros. Television, Telepictures Productions, Inc. (d/b/a "The Ellen Degeneres Show"), A Very Good Production, and

1 Crazy Monkey, Inc. (d/b/a A Very Good Production) (collectively,
2 "Defendants") on September 9, 2009. A Second Amended Complaint ("SAC")
3 was filed on April 12, 2010. The SAC generally alleges that
4 Defendants create, produce, distribute and/or broadcast the popular
5 daytime television show called "The Ellen Degeneres Show" ("the Show")
6 and that the Show has repeatedly used Plaintiffs copyrighted sound
7 recordings in various formats without obtaining any licenses to the
8 sound recordings.

9 Defendants filed their First Amended Answer ("FAA") to the SAC on
10 May 7, 2010. Defendants have asserted ten affirmative defenses, most
11 of which are based generally on the following allegations: (1) that
12 Plaintiffs knew for years that Defendants were using their sound
13 recordings on the Show; (2) that Plaintiffs benefitted from such use
14 through increased sales of copies of the sound recordings; (3) that
15 Plaintiffs encouraged the Show to use their sound recordings; and (4)
16 that Plaintiffs provided copies of the sound recordings to Defendants
17 with knowledge that such sound recordings would be played on the Show
18 and without demanding that Defendants acquire any licenses.

19 On May 18, 2010, Plaintiffs filed a Motion to Strike under Federal
20 Rule of Civil Procedure 12(f). Plaintiffs seek an Order striking: the
21 First Affirmative Defense of implied license; the Third Affirmative
22 Defense of laches; the Fourth Affirmative Defense of consent; the Fifth
23 Affirmative Defense of copyright misuse; the Seventh Affirmative
24 Defense of estoppel; the Eighth Affirmative Defense of waiver; the
25 Ninth Affirmative Defense of unclean hands, and the Tenth Affirmative
26 Defense of failure to mitigate damages. The Motion came before the
27 Court for a hearing on June 21, 2010.
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1 For the reasons stated below, the Court GRANTS IN PART and DENIES
2 IN PART the Motion to Strike. The Court DENIES the Motion to Strike as
3 to Defendants' First, Third, Seventh, Eighth, and Ninth affirmative
4 defenses. The Court GRANTS Plaintiffs' Motion to Strike the Fifth
5 affirmative defense WITH LEAVE TO AMEND. Finally, the Court GRANTS
6 Plaintiffs' Motion to Strike the Fourth and Tenth affirmative defenses
7 WITHOUT LEAVE TO AMEND.

8 **II. FACTUAL AND PROCEDURAL BACKGROUND**

9 Plaintiffs' Second Amended Complaint alleges that, since the
10 inception of the Ellen Degeneres Show ("the Show") in 2003, Defendants
11 have used Plaintiffs' copyrighted sound recordings on the Show without
12 obtaining a license or permission from Plaintiffs. Plaintiffs allege
13 that Defendants have infringed upon their copyrights for hundreds of
14 sound recordings. (See SAC, Exh. A.) Plaintiffs assert causes of
15 action for: (1) copyright infringement under the federal Copyright
16 Act, (2) violation of California Civil Code § 980(2), and (3) violation
17 of California's Unfair Competition Law, Business & Professions Code §
18 17200 *et seq.* Plaintiffs seek statutory damages, or in the
19 alternative, actual damages and Defendants' profits, restitution,
20 punitive damages, and injunctive relief.

21 Defendants filed their First Amended Answer to the SAC on May 7,
22 2010. Relevant to the current Motion to Strike, the First Amended
23 Answer ("FAA") alleges that, "since the Show's inception in 2003, UMG
24 and the other major record labels knew that the Show was playing their
25 sound recordings but did not require Defendants to pay for master
26 licenses for those recordings." (FAA at 2.) Defendants allege that
27 "UMG actively encouraged the Show to use its recorded music" so that
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1 the artists could profit from the Show's popularity. (Id. at 2.) UMG
2 allegedly provided the Show with copies of their sound recordings and
3 encouraged Defendants to play such music on the Show, knowing all along
4 that the Show was not paying for formal master-use licenses. (Id. ¶
5 54.) Defendants allege that "UMG's promotional people regularly called
6 the Show's staff to urge them to use particular recordings." (Id. ¶
7 54.) The FAA further alleges that UMG's artists have made hundreds of
8 live appearances on the show, which were requested and promoted by UMG,
9 and that UMG executives and employees regularly attended tapings of the
10 Show. (Id.)

11 Defendants allege that UMG benefitted enormously from the Show's
12 use of its sound recordings, and that UMG specifically told the Show's
13 producers that the use of their sound recordings in the "dance over"
14 segment of the Show - where the host dances over from the center of the
15 stage to her desk after the opening monologue - boosted CD sales. (Id.
16 ¶ 51.) Defendants allege four specific examples of instances where the
17 sales of Plaintiffs' copyrighted sound recordings increased markedly
18 after the artists appeared on the Show. (Id. ¶¶ 52-53.)

19 Finally, Defendants allege that UMG did not demand that the Show
20 pay for licenses or cease using Plaintiffs' recorded music until
21 February 2009, when UMG had agreed with other record labels to jointly
22 pursue payment for master-use licenses from the Show. (Id. ¶¶ 60, 62.)

23 On the basis of these allegations, Defendants assert the following
24 affirmative defenses: (1) implied license, (2) statute of limitations,
25 (3) laches, (4) consent, (5) copyright misuse, (6) failure to state a
26 claim, (7) estoppel, (8), waiver, (9) unclean hands, and (10) failure
27 to mitigate damages. Plaintiffs now seek to strike under Federal Rule
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of Civil Procedure 12(f) the First, Third,¹ Fourth, Fifth, Seventh, Eighth, Ninth, and Tenth affirmative defenses.

III. ANALYSIS

A. Legal Standard

Federal Rule of Civil Procedure 12(f) provides that, within 21 days after being served with a pleading, a party may make a motion to strike any "insufficient defense or any redundant, immaterial, impertinent, or scandalous matter." The purpose of a Rule 12(f) motion is to "avoid the expenditure of time and money that must arise from litigating spurious issues by dispensing with those issues prior to trial." Fantasy, Inc. v. Fogerty, 984 F.2d 1524, 1527 (9th Cir. 1993), *reversed on other grounds*, 510 U.S. 517 (1994).

As with a motion to dismiss for failure to state a claim, the grounds for the motion to strike must be apparent on the face of the pleading under attack or from matters which the court may judicially notice. S.E.C. v. Sands, 902 F. Supp. 1149, 1165 (C.D. Cal. 1995). The court must view the pleading in the light most favorable to the pleader and resolve all doubts as to the sufficiency of a defense in defendant's favor. Lazar v. Trans Union LLC, 195 F.R.D. 665, 669 (C.D. Cal. 2000); Mag Instrument, Inc. v. JS Prods. Inc., 595 F. Supp. 2d 1102, 1106 (C.D. Cal. 2008). In pleading an affirmative defense, the party must comply with Federal Rule of Civil Procedure 8's requirement of a "short and plain" statement and give the opposing party fair

¹ Plaintiffs' initial Motion to Strike did not address the Third Affirmative Defense of laches. However, at a hearing on June 14, 2010 on a related discovery motion, Plaintiffs' counsel argued that the laches defense failed as a matter of law and thus discovery as to that defense should not be permitted. In response to this argument, the Court requested that the parties brief the issue of the validity of the laches defense, which they did in mid-June 2010. (Docket Nos. 139, 140, 142). The Court has read and considered all of the supplemental briefing and related declarations regarding the laches defense.

1 notice of the defense. Mag Instrument, Inc., 595 F. Supp. 2d at 1107.
2 Additionally, although no circuit court has expressly held that the
3 pleading requirements of Bell Atlantic Corp. v. Twombly, 550 U.S. 544
4 (2007) and Ascroft v. Iqbal, 129 S.Ct.1937 (2009) apply to affirmative
5 defenses, the majority of district courts addressing the issues have
6 concluded as much. See Hayne v. Green Ford Sales, Inc., 263 F.R.D.
7 647, 650 n.14 & 15 (D. Kan. 2009) (collecting cases); see CTF Dev.,
8 Inc. v. Penta Hospitality LLC, No. C. 09-02429 WHA, 2009 WL 3517617, at
9 * 7-8 (N.D. Cal., Oct. 26, 2009) ("Under the Iqbal standard, the burden
10 is on the defendant to proffer sufficient facts and law to support an
11 affirmative defense."). Thus, an answer must contain sufficient
12 factual matter, accepted as true, to state a defense that is plausible
13 on its face. Twombly, 550 U.S. at 570.

14 The Court has broad discretion when considering a motion to
15 strike; however, such motions are generally disfavored and infrequently
16 granted. Stanbury Law Firm v. I.R.S., 221 F.3d 1059, (8th Cir. 2000);
17 see Lazar v. Trans Union LLC, 195 F.R.D. 665, 669 (C.D. Cal. 2000).
18 Where the motion challenges the sufficiency of a defense, it should be
19 granted only where the court is "convinced that there are no questions
20 of fact, that any questions of law are clear and not in dispute, and
21 *that under no set of circumstances could the claim or defense succeed.*"
22 RDF Media Ltd v. Fox Broadcasting, 372 F. Supp. 2d 556, 561 (C.D. Cal.
23 2005) (emphasis added); Stanbury Law Firm, 221 F.3d at 1063 (striking a
24 party's pleadings is "an extreme measure"); Lazar, 195 F.R.D. at 669
25 ("Motions to strike are generally not granted unless it is clear that
26 matter to be stricken could have no possible bearing on the subject
27 matter of the litigation."); William Z. Salcer, Panfeld, Edelman v.
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1 Envicon Equities Corp., 774 F.2d 935, 939 (2d Cir. 1984) (motion to
2 strike based on insufficiency of a defense "will not be granted unless
3 it appears to a certainty that plaintiffs would succeed despite any
4 state of the facts which could be proved in support of the defense.");
5 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, 5C FEDERAL PRACTICE AND PROCEDURE § 1381,
6 at 421-425 (motion should be denied if "the insufficiency of the
7 defense is not clearly apparent, or if it raises factual issues that
8 should be determined on a hearing on the merits.") Moreover, "[e]ven
9 when the defense seems to present a purely legal question, federal
10 courts are very reluctant to determine . . . substantial issues of law
11 on a motion to strike; these questions quite properly are viewed as
12 best determined only after further development by way of discovery and
13 a hearing on the merits" WRIGHT & MILLER, 5C FEDERAL PRACTICE AND
14 PROCEDURE § 1381, at 424-25.

15 **B. Application**

16 **1. Implied License Defense**

17 Plaintiffs assert two arguments in support of their motion to
18 strike Defendants' implied license defense. First, Plaintiffs contend
19 that Defendants' allegations, even if true, fail under Ninth Circuit
20 law to establish that Plaintiffs granted Defendants an implied license
21 to use their copyrighted sound recordings. Second, assuming an implied
22 license defense is tenable, Plaintiffs argue that the defense lacks the
23 requisite specificity because Defendants only state facts in support of
24 an implied license defense with regard to *some* of the sound recordings;
25 the allegations are not sufficient to establish a blanket implied
26 license for all of the copyrighted sound recordings at issue.

a. Requirements of an Implied License

Plaintiffs argue that, under Ninth Circuit law, the implied license defense can only survive where the facts demonstrate that three specific requirements are met: (1) that the plaintiff (licensor) created the work at issue at the defendant's (licensee's) request; (2) that the plaintiff made the particular work and delivered it to the defendant who requested it; and (3) that the plaintiff intended that the defendant copy and distribute his work. (Mot. at 5-7). In support of this argument, Plaintiffs cite this Court's opinion in Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 518 F. Supp. 2d 1197 (C.D. Cal. 2007), which in turn cited to A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004, 1026 (9th Cir. 2001), as well as Effects Associates, Inc. v. Cohen, 908 F.2d 555, 556-67 (9th Cir. 1990) and Catalogue Creatives, Inc. v. Pacific Spirit Corp., No. CV 03-966-MO, 2005 WL 1950231, at *2-3 (D. Or., Aug. 15, 2005). Plaintiffs contend that Defendants "do not allege (nor can they) that Plaintiffs created their copyrighted sound recordings at Defendants' request, or for Defendants' benefit;" thus, the implied license defense fails as a matter of law.²

Plaintiffs' argument adopts an overly restrictive view of the law of implied license. While it is undoubtedly true that most cases in which an implied license is found satisfy the three-part test proffered by Plaintiffs, an implied license defense is not precluded in other circumstances. As a leading treatise explains: "A nonexclusive license may therefore be granted orally, or may even be implied from conduct.

² Defendants do not dispute that if in fact the test put forth by Plaintiffs were correct, the implied license defense would fail. Rather, Defendants contend that Plaintiffs have misstated the law.

Where the totality of the parties' conduct indicates an intent to grant such permission, the result is a nonexclusive license." MELVILLE B. NIMMER & DAVID B. NIMMER, NIMMER ON COPYRIGHT § 10.03[A][7] (revised ed. 2009) (emphasis added); see MILGRIM ON LICENSING § 5.41 (2010) ("Under certain circumstances, the conduct of the copyright owner combined with . . . copying on the basis of [the infringer's] reasonable reliance that it was authorized to do so, may create a situation in which a license will be implied"). Whether an implied license exists is ultimately a question of contract law, and as with any implied-in-fact contract, the issue depends upon the objective manifestation of consent under the totality of the circumstances. See Foad Consulting Group, Inc. v. Azzalino, 270 F.3d 821, 832 (9th Cir. 2001); Effects Associates, Inc. v. Cohen, 908 F.2d 555, 559 n.7 (9th Cir. 1990); Field v. Google, Inc., 412 F. Supp. 2d 1106, (D. Nev. 2006) ("Consent to use a copyrighted work need not be manifested verbally and may be inferred based on silence where the copyright holder knows of the use and encourages it."); Keane Dealer Servs., Inc. v. Harts, 968 F. Supp. 944, 947 (S.D.N.Y. 1997) ("Consent given in the form of mere permission or lack of objection is also equivalent to a nonexclusive license"); see also De Forest Radio Telephone & Tele-Graph Co., 273 U.S. 236, 241 (1927) ("No formal granting of a license is necessary in order to give it effect. Any . . . conduct on [the owner's] part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent . . . constitutes a license").³

³ Although De Forest Radio Telephone & Telegraph, 273 U.S. 236, is a patent case, the Supreme Court in Metro-Goldwyn-Mayer Studios Inc. v. Gorkster, Ltd., 545 U.S. 913, 936-37 (2005), found that in certain instances it was both sensible and appropriate to borrow principles from patent law when resolving issues of copyright infringement.

1 Plaintiffs' argument derives largely from a misreading of Effects
2 Associates, Inc. v. Cohen, 908 F.2d 555 (9th Cir. 1990).⁴ In Effects
3 Associates, the defendant movie producer hired the plaintiff, a small
4 special effects company, to create footage to enhance certain sequences
5 in a film. Id. at 556. Plaintiff agreed orally to the deal and
6 created seven shots for the film, which were delivered to defendant.
7 Id. No one said anything about who would own the copyright in the
8 footage when making the deal. Id. After the shots were delivered,
9 Defendant paid plaintiff part of the agree-upon price, \$56,000, but was
10 unhappy with one of the shots and refused to pay some \$8,000 for it.
11 Id. In response, plaintiff brought a copyright infringement action
12 alleging that defendant had no right to use the shots in the film
13 unless he paid the full contract price. Id.

14 The Ninth Circuit rejected plaintiff's copyright infringement
15 claim. Citing to the Copyright Act § 101, the court noted that, while
16 transfers of ownership of copyrights must be in writing, "a
17 nonexclusive license may be granted orally, or even be implied from
18 conduct." Id. at 558 (citing NIMMER ON COPYRIGHT § 10.03[A], at 10-36
19 (1989)). Although plaintiff never gave defendant a written or oral
20 license, the court held that plaintiff's conduct created an implied
21 license to use the footage in the film. Id. The court framed the
22 implied license issue as "a creature of law, much like any other
23 implied-in-fact contract." Id. at 559 n.7. Examining the conduct
24 between the parties, the court adopted the district court's conclusion
25 that "every objective fact concerning the transaction supports a

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27 ⁴ To the extent this Court's language in Metro-Goldwyn-Mayer Studios Inc. v.
28 Grokster, Ltd., 518 F. Supp. 2d 1197, 1225-26 (C.D. Cal. 2007) suggests that it
agrees with Plaintiffs' interpretation, the Court addresses this issue *infra* at p.
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1 finding that an implied license existed." Id. at 559 n.6.

2 Specifically:

3 Effects's copyright registration certificate states that the
4 footage is to be used in [the film], so does the letter
5 agreement of October 29, 1984, and Effects's President James
6 Danforth agreed at his deposition that this was his
7 understanding. Also, Effects delivered the film negatives to
8 Cohen, never warning him that cutting the negatives into the
9 film would constitute copyright infringement. While delivery
10 of a copy 'does not of itself convey any rights in the
11 copyrighted work," 17 U.S.C. § 202 (1988) (emphasis added),
12 it is one factor that may be relied upon in determining that
13 an implied license has been granted.

9 Id. (internal citation to the record omitted).

10 The court in Effects also analogized the plaintiff's case to Oddo
11 v. Ries, 743 F.3d 630 (9th Cir. 1984). In Oddo, the court found that
12 the plaintiff author granted the defendant publisher a nonexclusive
13 implied license to use his articles in the defendant's book where
14 plaintiff prepared a manuscript of his articles for the publisher,
15 handed it over to the publisher, and intended the manuscript to be
16 published. Oddo, 743 F.2d at 632, 634. The Effects court reasoned:
17 "*Like the plaintiff in Oddo, Effects created a work at defendant's*
18 *request and handed it over, intending that the defendant copy and*
19 *distribute it. To hold that Effects did not at the same time convey a*
20 *license to use the footage in [the film] would mean that plaintiff's*
21 *contribution to the film was of minimal value, a conclusion that can't*
22 *be squared with [defendant's \$56,000 payment to Effects]."* Effects
23 Associates, 908 F.2d at 559 (emphasis added). Accordingly, the court
24 found that defendant had an implied license to use the footage.

25 Effects Associates stands for the proposition that when three
26 requirements are met - (1) the work was created for defendant or at
27 defendant's request; (2) the work was delivered to defendant by
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1 plaintiff; and (3) plaintiff intended defendant to use the work - an
2 implied license exists. See Foad Consulting Group, Inc., 270 F.3d at
3 n.10. However, nothing in Effects Associates establishes that these
4 three elements are *necessary* requirements for an implied license. The
5 case contains no limiting language to that effect, and the holding in
6 Effects is driven by the facts of that particular case.

7 In a later case, Foad Consulting Group, Inc., 270 F.3d 821 (2001),
8 the Ninth Circuit confirmed that whether an implied license exists is a
9 matter of contract law; as such, it is governed by state law so long as
10 the state law does not conflict with the Copyright Act. Id. at 827.
11 In Foad Consulting Group, GenCom, Inc. hired the plaintiff engineering
12 firm, Foad Consulting, to create a "preliminary Concept Development
13 Plan" for a 45.5 acre shopping project. Id. at 824. Plaintiff created
14 the Plan and submitted it to GenCom, which then submitted it to the
15 city. Id. Plaintiff then agreed to create "final engineering
16 drawings, including a revised plot plan," for the project, which were
17 also delivered to GenCom and then submitted to the city. Id. After
18 obtaining the city's approval, GenCom's successor hired a developer to
19 build the project, who in turn hired defendant MGA to perform
20 engineering services. Id. MGA obtained copies of the revised plot
21 plan that plaintiff had created and copied much of it in preparing
22 final site plans for the project. Id. Plaintiff thereafter filed suit
23 against MGA, GenCom's successor, and the developer, claiming that the
24 defendants infringed upon his copyrights in the revised plot plan by
25 copying and modifying it, by publishing the resulting final site plans
26 and submitting them to the city, and by using the revised plot plan
27 without his permission to build the project. Id. at 825.
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1 The Ninth Circuit affirmed the district court's grant of summary
2 judgment to defendants on the ground that plaintiff, through his words
3 and conduct, granted defendants an implied license to use the revised
4 plot plan when building the final project. Id. at 824. The court
5 held that "[a] nonexclusive copyright license may be granted orally or
6 by implication." Id. Further, "whether a copyright holder has
7 properly granted another a nonexclusive license by implication is a
8 matter of state contract law" Id. at 827; see also Jacob
9 Maxwell, Inc. v. Veeck, 110 F.3d 749, 752 n.2 (11th Cir. 1997) ("As a
10 general rule, state law governs the interpretation of copyright
11 contracts, unless a particular state rule of construction would so
12 alter rights granted by the copyright statutes as to invade the scope
13 of copyright law"). Applying basic California contract
14 principles to the facts at hand, the Ninth Circuit found that the
15 parties' had not intended for GenCom to seek Foad's permission before
16 using the plans to build the project. Id. at 827-28. Nothing in the
17 parties' written agreement provided as much, nor did the written
18 agreement forbid others from modifying the plans Foad submitted to
19 Gencom. Id. at 828, 830. Thus, given the parties' agreement,
20 plaintiff had granted GenCom an implied license to reproduce and adapt
21 the revised site plan for the purpose of developing the project. Id.

22 Although the facts in Foad Consulting are analogous in many ways
23 to Effects Associates, the Ninth Circuit did not conclude that the
24 three-factors shared by both cases - creation of the work for
25 defendants, delivery to defendants, and plaintiff's intent that
26 defendants use the work - were necessary to the implied license
27 defense. Id. Instead, Foad noted that Effects Associates provides one
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1 *instance in which the facts are sufficient to support the defense:*
2 "Effects Associates stands for the principle that a seller grants a
3 buyer an implied license to use a product for the purpose for which the
4 seller sold it to the buyer." Id. at 827 n.10. But as Judge Kozinski,
5 the author of Effects Associates, explained in his concurring opinion,
6 whether an implied license exists depends on "whether the totality of
7 the parties' conduct indicates an intent to grant such permission [to
8 use the work]." Id. at 837 (quoting 3 NIMMER ON COPYRIGHT § 10.03 [A][7]
9 at 10-42 (2000)). In sum, "[b]ecause the implied license is derived
10 from the relationship of the parties . . . it is entirely appropriate
11 to look at *any words or conduct* that bear on whether a copyright
12 license should be implied." Id. at 834 (emphasis added).

13 Several courts (including courts within the Ninth Circuit) have
14 found that an implied license exists even where the three-factor test
15 proposed by Plaintiff is not met. For example, in Morrill v. Smashing
16 Pumpkins, 157 F. Supp. 2d 1120 (C.D. Cal. 2001), plaintiff Jonathan
17 Morrill and his self-titled production company created an original
18 music video/documentary in 1986 which featured defendant Billy Corgan
19 singing with his then-existing band, the Marked. Id. at 1122. The
20 video was called View Marked. Id. The court found that Corgan was a
21 joint author of the video documentary, giving him the right to use or
22 license any portion of the joint work. Id. Eight years later, in
23 1994, Corgan was singing in a new band, Smashing Pumpkins, which was
24 very successful. Id. at 1121. Unbeknownst to Morrill, Corgan, the
25 Smashing Pumpkins, and Virgin Records America released a video entitled
26 "Vieuphoria," which contained short clips of images taken from View
27 Marked. Id. Morrill filed suit against Virgin Records America (among
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1 others) alleging copyright infringement of his rights in the View
2 Marked video. Id.

3 The court rejected plaintiff's infringement claim, finding that
4 Virgin Records America had an implied license to use images from View
5 Marked. Id. at 1126. The court held:

6 Corgan's position as a joint author of View Marked gives him
7 power to grant a non-exclusive license for the use of this
8 work. See Effects Assocs., Inc. v. Cohen, 908 F.2d 555, 558-
9 59 (9th Cir. 1990). Consistent with this right, Corgan
10 granted Defendant Virgin Records America a non-exclusive
11 license to distribute Vieuphoria, which contained scenes from
View Marked. A non-exclusive license to use a joint work
need not be explicit. See id. By conveying a video that
used material from his joint work, Corgan impliedly granted a
non-exclusive license to Virgin to distribute this material.

12 Id. at 1126-27. In short, an implied license to use the View Marked
13 images was inferred from Corgan's conduct.

14 Plaintiffs' proposed implied license test cannot be squared with
15 the ruling in Morrill. Certainly, Corgan and Morrill did not create
16 the View Marked video at the request of, or on behalf of, Virgin
17 Records America. Indeed, View Marked was created eight years prior to
18 any dealings with Virgin Records America. Yet the court found that the
19 parties' conduct - i.e., Corgan granting Virgin Records America a
20 license to distribute Vieuphoria - gave rise to an implied license to
21 Virgin Records America to use portions of View Marked.

22 Similarly, the court upheld the implied license defense in Keane
23 Dealer Services, Inc. v. Harts, 968 F. Supp. 944, 947 (S.D.N.Y. 1997).
24 There, plaintiff Kevin Keane and defendant Harts developed a software
25 program while working at Shearson Lehman Brothers ("Lehman"). Id. at
26 945-46. The software program was called SLBX and consisted of an
27 automated trading system that traded a proprietary account of Lehman's
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1 against incoming retail order flow. Id. at 946. The important detail
2 of the program was that it was only valuable so long as a retail order
3 flow existed. Id.

4 Keane had no proprietary rights in SLBX upon its creation; all
5 such rights belonged to Lehman pursuant to an agreement between the
6 parties. Id. In 1993, defendant Smith Barney entered into an Asset
7 Purchase Agreement with Lehman to purchase all of Lehman's retail
8 branches and retail order flow. Id. The agreement included the "OMS
9 system," which processed Lehman's retail order flow and fed the
10 relevant data regarding retail orders to SLBX. Id. After the sale,
11 employees from Smith Barney called Lehman's counsel and asked him about
12 SLBX, which he readily answered. Id. It was undisputed that as of
13 September 1993, Lehman's counsel knew Smith Barney was using the SLBX
14 system and decided not to object. Id.

15 In mid-1995, Keane purchased all the intellectual property rights
16 to the SLBX program from Lehman. Id. Thereafter, Keane brought a
17 copyright infringement suit against Smith Barney for its use of the
18 SLBX program. Id. Smith Barney countered that Lehman had granted it
19 an implied license to use SLBX. Id.

20 The court granted summary judgment in Smith Barney's favor on the
21 implied license defense. The court held: "a nonexclusive license . . .
22 may even be implied from conduct. . . . In fact, consent given in the
23 form of mere permission or lack of objection is also equivalent to a
24 nonexclusive license and is not required to be in writing." Id. at
25 947. The court found that Lehman's undisputed knowledge of Smith
26 Barney's use of the software coupled with Lehman's silence and
27 acquiescence in the face of such knowledge constituted an implied
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1 license for Smith Barney to use SLBX. Id. Thus, as in Morrill, the
2 Keane court found an implied license based on Lehman's conduct, without
3 any showing that Lehman (or Keane) created the SLBX program at Smith
4 Barney's request.

5 More recently, in ExperExchange, Inc. v. Doculex, Inc., No. C-08-
6 03875 JCS, 2009 WL 3837275 (N.D. Cal., Nov. 16, 2009), the court found
7 an implied license existed based on the fact that plaintiff knew that
8 defendant was using its software for purposes not covered by the
9 parties' agreement and failed to object to such use. In ExperExchange,
10 plaintiff was a technology company that created and licensed its
11 "optical character recognition (OCR) software-entitled Recognition
12 Toolkit Software ("RTK")" to manufacturers and software developers in
13 exchange for royalty fees. Id. at *1. Defendant Doculex, Inc. was a
14 small software company that designed and sold document management
15 software products to businesses. Id. In May 1999, defendant Doculex
16 entered into a License Agreement with ExperExchange which permitted
17 Doculex to use the RTK software in connection with a product
18 manufactured by Doculex called the "PDF.Capture" product. Id. at *2.
19 The License Agreement did not authorize Doculex to use the RTK software
20 in connection with any other products sold by Doculex. Id.

21 Within the first month after the Agreement was signed, Doculex
22 began incorporating the RTK software into multiple products, not just
23 the PDF.Capture product, and paying royalty payments to ExperExchange.
24 Id. The royalty reports provided to ExperExchange clearly indicated
25 that Doculex was selling multiple products that incorporated the RTK
26 software. Id. Further, ExperExchange received numerous emails
27 regarding Doculex's use of the RTK software in products other than the
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1 PDF.Capture product. Id. From 1999 to 2007, ExperExchange continued
2 to accept royalty payments from Doculex and never once informed Doculex
3 that its broad use of the RTK software exceeded the scope of the
4 License Agreement. Id. at *3. In early 2008, ExperExchange attempted
5 to renegotiate the License Agreement. Id. at *4. When negotiations
6 fell through, ExperExchange wrote Doculex a letter stating that it knew
7 Doculex had integrated the RTK software into about 10 software products
8 not covered by the original License Agreement, that such use breached
9 the contract, and that ExperExchange would pursue civil and criminal
10 actions against Doculex. Id. In August 2008, ExperExchange filed suit
11 against Doculex for copyright infringement.

12 The court granted Doculex summary judgment on the copyright
13 infringement claim, finding that plaintiff had granted Doculex an
14 implied license to use the RTK software with other products. Id. at
15 *23. The court reasoned:

16 The existence of a license creates an affirmative defense to
17 a claim of copyright infringement." Worldwide Church of God
18 v. Philadelphia Church of God, Inc., 227 F.3d 1110, 1114 (9th
19 Cir.2000). A nonexclusive license may be granted expressly
20 or impliedly through conduct. Effects Associates, Inc. v.
21 Cohen, 908 F.2d 555, 558 (9th Cir.1990) (citing 3 MELVILLE B.
22 NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 10.03[A] (1989). "An
23 implied license can be found where the copyright holder
24 engages in conduct 'from which [the] other [party] may
25 properly infer that the owner consents to his use.'" Field
26 v. Google Inc., 412 F.Supp.2d 1106, 1116 (D.Nev., 2006)
27 (citing De Forest Radio Tel. & Tel. Co. v. United States, 273
28 U.S. 236, 47 S.Ct. 366, 71 L.Ed. 625 (1927)). "Consent to use
the copyrighted work need not be manifested verbally and may
be inferred based on silence where the copyright holder knows
of the use and encourages it." Id. (citing Keane Dealer
Servs., Inc. v. Harts, 968 F.Supp. 944, 947 (S.D.N.Y.1997)
("consent given in the form of mere permission or lack of
objection is also equivalent to a nonexclusive license")).

26 Id. The undisputed facts demonstrated that from the inception of the
27 License Agreement, Doculex paid royalty payments to ExperExchange for
28

1 the use of RTK software in numerous products; that ExperExchange
2 accepted such payments and never notified Doculex that its use of the
3 software in those products exceeded the License Agreement; that
4 ExperExchange renewed the License Agreement for years; and that
5 ExperExchange encouraged Doculex to use its software in as many
6 products as possible and knew that they were in fact doing so. Id. at
7 *24. Although Doculex's use of the software in products other than
8 PDF.Capture was not explicitly covered by the License Agreement,
9 ExperExchange's conduct over the course of 8 years granted Doculex an
10 implied license to use the RTK software in other products. Id.
11 Accordingly, the Court held that, as to the products other than
12 PDF.Capture in which ExperExchange knew Doculex had incorporated the
13 RTK software and to which ExperExchange did not object, Doculex had an
14 implied license. Id.

15 Like Morrill and Keane, the facts in ExperExchange fail to meet
16 the "creation" prong of the three-part test Plaintiffs propose. There
17 is no evidence that ExperExchange created the RTK software at Doculex's
18 request; rather, the software was a product licensed to numerous
19 companies other than Doculex. Further, ExperExchange did not deliver
20 the RTK software for the express purpose of having it incorporated in
21 any products other than Doculex's PDF.Capture product. This purpose
22 was inferred, however, from ExperExchange's knowledge and acquiescence
23 in such use. Thus, the totality of the circumstances gave rise to an
24 implied license. Id.; see also Pamfilof v. Giant Records, Inc., 794 F.
25 Supp. 933, 934 (N.D. Cal. 1992) (defendant had an implied license to
26 use plaintiff's musical compositions by virtue of an agreement with
27 plaintiff that permitted defendant to use the related sound recordings;
28

1 such an agreement "would be worthless to [defendants] if they were
2 prevented from using the sound recordings because they did not have
3 permission to use the underlying musical compositions."); UMG
4 Recordings Inc. v. Disco Azteca Distributors, Inc., 446 F. Supp. 2d
5 1164, 1177-78 (E.D. Cal. 2006) (defendant received and accepted royalty
6 payments for counterdefendants' use of its sound recordings; court held
7 that "such acceptance of counterdefendants' payments gives rise to an
8 implied license as a matter of law"); Field v. Google, Inc., 412 F.
9 Supp. 2d 1106, 1116 (D. Nev. 2006) (defendant author who published his
10 work on his personal website granted Google.com an implied license to
11 publish archived screenshots of the website and to link users to the
12 website where defendant knew how to prohibit such use through meta-tag
13 instructions, knew that if he did not employ such meta-tags Google
14 would use the copyrighted works on the website in the manner described,
15 and instead made a conscious decision to permit such use.)

16 All of the cases cited above were decided after Effects
17 Associates, and most of them cite directly to Effects Associates in
18 support of the finding that an implied license was granted. None of
19 the cases, however, interpret Effects Associates as limiting the
20 implied license defense to the circumstances of that case, nor do they
21 require that the work be created specifically at the request of the
22 defendants. In light of the authority outlined above, the Court
23 concludes that the implied license defense is not as limited as
24 Plaintiffs suggest. The fact that Plaintiffs in the present case did
25 not create the sound recordings at Defendant's request or for
26 Defendant's benefit does not defeat the implied license defense as a
27 matter of law.
28

1 Finally, to the extent this Court's opinion in Metro-Goldwyn-Mayer
2 Studios, Inc. v. Grokster, Ltd., 518 F. Supp. 2d 1197 (C.D. Cal. 2007)
3 suggests a contrary ruling, the Court notes that the implied license
4 defense in Grokster was so wholly unfounded that it warranted little
5 discussion and would have failed under any test. In Grokster, the
6 defendant argued that because plaintiffs had allowed other peer-to-peer
7 networks to distribute its copyrights, plaintiffs implicitly granted
8 defendant a license to do so as well. Id. at 1226. In rejecting this
9 argument, the Court recognized that an implied license defense can be
10 created where plaintiff's permission is "inferred based on silence
11 where the copyright holder knows of the use and encourages it," id. at
12 1225, but found that there was "no evidentiary basis" that would allow
13 such a conclusion in that case. Id. Plaintiffs' conduct vis-à-vis
14 others did not grant an implied license to the "rest of the world" to
15 distribute the copyrighted material, and there was no evidence that
16 plaintiffs knew and encouraged defendants to do so. See id.

17 In addition to the holding above, this Court in Grokster quoted
18 the Ninth Circuit's opinion in A&M Records, Inc. v. Napster, Inc., 239
19 F.3d 1004, 1026 (9th Cir. 2001), for the proposition that "courts have
20 found implied licenses only in 'narrow' circumstances where one party
21 'created a work at [the other's] request and handed it over, intending
22 that [the other] copy and distribute it.'" Grokster, 518 F. Supp. 2d
23 at 1226 (citing Napster, Inc., 239 F.3d at 1026). This statement,
24 however, on its face does not preclude a finding of an implied license
25 in other circumstances; it simply states that prior cases have all fit
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27
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1 that mold.⁵ Nonetheless, the Court recognizes that its Grokster opinion
2 suggests that this statement from Napster gives rise to mandatory
3 requirements for an implied license defense. However, having read and
4 reviewed the authorities above, some of which were decided after this
5 Court's Grokster ruling, the Court is convinced that such an
6 interpretation is too restrictive and does not accurately state Ninth
7 Circuit law. As in Grokster, the implied license defense in Napster
8 was patently untenable under the totality of the circumstances -
9 indeed, the plaintiff had expressly objected to the availability of its
10 copyrighted material on defendant's website - and the court only
11 devoted a single-paragraph discussion to the issue. Napster, 239 F.3d
12 at 1026. The Ninth Circuit's subsequent decision in Foad confirmed
13 that, as with any other implied-in-fact contract, the existence of an
14 implied license depends on whether the totality of the parties' words
15 and conduct indicates that the plaintiff permits the defendant to use
16 its works in a certain manner.

17 Here, Defendants have alleged that Plaintiffs knew Defendants were
18 using their sound recordings on the Show (FAA ¶ 54), that Plaintiffs
19 attended the Show several times throughout the years (id. at 2), that
20 Plaintiffs sent sound recordings to Defendants and encouraged them to
21 use the recordings on the Show (id. ¶¶ 2, 54), that Plaintiffs reaped
22 benefits in the form of increased sales from the Show's use of their
23 music (id. ¶¶ 51-53), and that Plaintiffs never objected until 2009 to
24

25 ⁵ Indeed, most (but not all) implied license cases meet these requirements. See
26 e.g., Herbert v. U.S., 36 Fed. Cl. 299, 310-11 (Fed. Cl. 1996); I.A.E. Incorporated
27 v. Shaver, 74 F.3d 768, 776 (7th Cir. 1996); Asset Marketing Systems, Inc. v.
28 Gagnon, 542 F.3d 748 (9th Cir. 2008); Jacob Maxwell, Inc. v. Veeck, 110 F.3d 749
(11th Cir. 1997); Korman v. HBC Florida, Inc., 182 F.3d 1291, 1293 (11th Cir.
1999).

1 the Show's use of their music (*id.* ¶¶ 60, 62). Although an implied
2 license defense may not ultimately prevail, these allegations are
3 sufficient to state a defense that is plausible on its face.

4 **b. Specificity of the Implied License Defense**

5 Plaintiffs' second argument - that the implied license defense
6 lacks the requisite specificity - can be easily rejected. Plaintiffs
7 argue that Defendants' First Amended Answer only provides some *examples*
8 of the conduct which Plaintiffs contend gives rise to an implied
9 license, but does not identify each individual conversation in which
10 Plaintiffs encouraged Defendants to use their recording and fails to
11 identify each individual CD that was sent to Defendants by Plaintiffs.
12 Plaintiffs contend that allegations regarding *some* instances in which
13 Plaintiffs encouraged the use of certain sound recordings on the Show
14 cannot, as a matter of law, give rise to a blanket license to use *all*
15 of Plaintiffs' sound recordings.

16
17 The scope of the implied license(s) and how far it extends
18 (assuming an implied license exists) is a question of fact that depends
19 upon the parties' conversations, Plaintiffs' conduct in allegedly
20 encouraging the use of the recordings, and Plaintiffs' alleged
21 knowledge of and reaction to Defendants' use. It cannot be resolved on
22 the pleadings. While Defendants ultimately may be correct that such
23 conduct can, at most, support only a limited implied license to use
24 some works - indeed, a blanket implied license would be extraordinarily
25 difficult to prove - the defense cannot be stricken simply because it
26 is a partial defense. CHARLES ALAN WRIGHT & ARTHUR R. MILLER, 5C FEDERAL
27 PRACTICE AND PROCEDURE § 1381, at 415 (3d ed. 2004); Shenandoah Life Ins.
28 Co. v. Hawes, 37 F.R.D. 526, 529 (E.D. N.C. 1965) (a partial defense

1 will not be stricken as an insufficient defense); Shepherd v. Popular
2 Publications, 10 F.R.D. 389 (S.D.N.Y. 1950)(same). Here, each of the
3 491 separate sound recordings at issue forms the basis for a separate
4 infringement. To the extent Defendants can limit their liability by
5 establishing an implied license with regard to some (but not all) of
6 the recordings, the defense is nonetheless valid.

7 Finally, the Court rejects Plaintiffs' argument that Defendants
8 should be required to allege in their Answer every conversation
9 regarding every work and every instance in which Plaintiffs attended
10 the Show or sent a CD to Defendants. These are issues of fact that
11 need to be developed through discovery and are not appropriate for a
12 motion to strike.⁶ The Court's determination on a motion to strike is
13 limited to whether the pleadings state a plausible defense and whether
14 issues of fact exist, that if resolved in Defendants' favor, would
15 support the defense. For the reasons stated above, Defendants'
16 allegations regarding the implied license defense are sufficient.

17 Plaintiffs' Motion to Strike the First Affirmative Defense is
18 DENIED.

19 20 **2. Consent**

21 Defendants incorporate each of the allegations in support of their
22 implied license defense to assert the Fourth Affirmative Defense of
23 consent. As Defendants implicitly concede, however, the defense of
24

25 ⁶ Notably, Plaintiffs' Complaint alleges generally that "from the Show's inception,
26 sound recordings owned by the Plaintiffs have been incorporated into the Show
27 without Plaintiffs' permission." (First Amended Complaint ¶ 40.) There are 491
28 recordings at issue. (FAA ¶ 29, Exhs. A and B.) The Court has not required (nor
would it) that Plaintiffs allege, with respect to every sound recording, when it
was used on the Show, under what circumstances, and how Plaintiffs learned that
specific recording was used. These factual matters are properly the subject of
discovery and a resolution on the merits.

1 consent in the copyright context is the direct equivalent of the
2 implied license defense. (See Opp'n at 12); IAE, Inc. v. Shaver, 74
3 F.3d 768 (7th Cir. 1996) ("consent given in the form of mere permission
4 . . . is also equivalent to a nonexclusive license."). Thus, the
5 consent defense is redundant and unnecessary. Accordingly, the Court
6 GRANTS Plaintiffs' Motion to Strike the Fourth Affirmative Defense
7 WITHOUT LEAVE TO AMEND.

8 **3. Copyright Misuse**

9 Defendants' Fifth Affirmative Defense states in its entirety:
10 "Defendants reallege and incorporate the facts alleged in support of
11 the first, second, and third affirmative defenses, set forth at
12 paragraphs 50 through 62 above. As a result of these facts, UMG's
13 claims are barred by its own copyright misuse. As such, UMG is barred
14 from enforcing its copyrights." (FAA ¶ 64.) In their Opposition to
15 the Motion to Strike, Defendants clarify that the misuse defense is
16 based on the allegation that "[UMG] did not demand that the Show pay
17 for licenses or stop using its recorded music until it had agreed with
18 other record labels to jointly pursue payment for master-use licenses
19 from the Show." (Id. ¶ 60.) Defendants argue that Plaintiffs violated
20 the antitrust laws "by organizing a conspiracy of the four major record
21 label conglomerates . . . to leverage excessive licenses from Warner
22 Bros. under threat of a boycott of the Show by the major labels."
23 (Opp'n at 13.)

24 Plaintiffs contend that the copyright misuse defense is
25 insufficiently pled because none of the allegations in the First
26 Amended Answer put Plaintiffs on notice of Defendants' refusal-to-deal
27 or group-boycott theory. The Court agrees. There are no facts
28

1 alleged in the First Amended Answer indicating that any of the "four
2 major record labels" refused to license their works to Defendants at
3 any time (or that Defendants even sought such licenses), nor are their
4 any allegations that Defendants threatened to boycott Defendants.
5 Additionally, Defendants have not alleged any facts indicating that the
6 record companies colluded to fix prices for such licenses at anti-
7 competitive levels or took any other action to "leverage [their]
8 copyright[s] to restrain creative activity" or "to control areas
9 outside of their grant of monopoly [under the Copyright Act]." Metro-
10 Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd., 454 F. Supp. 2d 966, 997
11 (C.D. Cal. 2006); Arista Records, Inc. v. Flea World, Inc., 356 F.
12 Supp. 2d 411, 428 (D. N.J. 2005).

13 Instead, the only "agreement" among the record companies that is
14 even plausibly alleged in the First Amended Answer is that they decided
15 to jointly demand that the Show pay for licenses for the recordings it
16 was using. However, "[a] plaintiff's 'enforcement of its copyrights
17 does not constitute copyright misuse." Metro-Goldwyn-Mayer Studios,
18 Inc. v. Grokster, Ltd., 454 F. Supp. 2d 966, 998 (C.D. Cal. 2006)
19 (quoting Advanced Computer Servs. of Michigan, Inc. v. MAI Systems
20 Corp., 845 F. Supp. 356, 370 (E.D. Va. 1994)). Moreover, "coordinated
21 efforts to enforce copyrights against a common infringer," without
22 more, do not give rise to an antitrust violation or a misuse defense.
23 Primetime 24 Joint Venture v. Nat'l Broadcasting Co., 219 F.3d 92, 99,
24 103 (2d Cir. 2000); Arista Records, Inc., 356 F. Supp. 2d at 428 ("the
25 fact of enforcing a valid copyright, without more, simply cannot
26 constitute copyright misuse."); Micro-Star v. Formgen, Inc., 154 F.3d
27 1107, 1114 n.8 (9th Cir. 1998) (rejecting a claim that plaintiff
28

1 engaged in copyright misuse by enforcing its rights in a computer
2 game.)). In sum, Defendants have done no more than allege, at most, a
3 concerted effort of the record companies to enforce their rights. For
4 this reason, the First Amended Answer fails to state a misuse defense.

5 Plaintiffs' Motion to Strike the Fifth Affirmative Defense is
6 GRANTED WITH LEAVE TO AMEND. Defendants are granted 20 days from the
7 date of this order leave to amend.

8 Furthermore, if Defendants decide to amend the FAA so as to assert
9 a copyright misuse claim, and assuming the amended allegations are
10 sufficient, the parties are on notice that the Court almost certainly
11 would bifurcate that defense. The defense of copyright misuse raises a
12 whole host of issues regarding potentially anticompetitive conduct and
13 alleged collusion between Plaintiffs and parties who are no longer
14 parties to the present action. As such, it could give rise to
15 voluminous discovery on issues unrelated to the remainder of the action
16 and unnecessarily confuse the issues for the jury. For these reasons,
17 judicial economy would support bifurcation of a copyright misuse
18 defense.

19 20 **4. Estoppel**

21 Defendants' Seventh Affirmative Defense incorporates the factual
22 allegations of the implied license defense (among others) to assert an
23 estoppel defense. Estoppel applies where the plaintiff "has aided the
24 defendant in infringing or otherwise induced it to infringe or has
25 committed covert acts such as holding out . . . by silence or
26 inaction." Field v. Google, Inc., 412 F. Supp. 2d 1106, 1116 (D. Nev.
27 2006) (quoting Quinn v. City of Detroit, 23 F. Supp. 2d 741, 753 (E.D.
28 Mich. 1998); NIMMER ON COPYRIGHT § 13.07 (revised ed. 2009)). To assert a

1 valid estoppel defense, Defendants must allege: (1) that Plaintiffs
2 knew of Defendants allegedly infringing conduct; (2) that Plaintiffs
3 intended that their conduct would be acted on or acted in such a way
4 that Defendants had a right to believe it was intended; (3) that
5 Defendants were ignorant of the true facts (i.e., that the use was not
6 permitted); and (4) that Defendants relied to their detriment on
7 Plaintiffs' conduct. See id. at 1116; Hampton v. Paramount Pictures
8 Corp., 279 F.2d 100 (9th Cir. 1960).

9 Defendants' factual allegations satisfy each of the four elements
10 of the estoppel defense. First, as to Plaintiffs' knowledge,
11 Defendants allege that Plaintiffs attended tapings of the Show during
12 which Plaintiffs' sound recordings were played, and arranged for its
13 artists to appear on the Show with the understanding that the artists'
14 recorded music would be played during the Show. (FAA at 2, ¶¶ 51, 54,
15 57.) Second, Defendants sufficiently allege that Plaintiffs acted in
16 such a way so as to lead Defendants to reasonably believe they intended
17 Defendants to play their sound recordings. Specifically, Defendants
18 allege that Plaintiffs sent Defendants copies of CDs "for the purpose
19 of allowing the Show to play these recordings," (FAA at 2), told the
20 Show's producers that the addition of a "dance-over" segment in which
21 Plaintiffs' music was played increased CD sales (id. ¶ 51), and called
22 the Show's staff to urge them to use Plaintiffs' sound recordings (id.
23 ¶ 54). Third, Defendants' ignorance - i.e., that Defendants did not
24 know that Plaintiffs required an express license - can reasonably be
25 inferred from the allegation that UMG never objected to the Show's use
26 of its music for nearly 6 years (id. at 2), and that, had Plaintiffs
27 objected, Defendants would have ceased using the music without a
28

1 license (id. ¶ 61). Finally, Defendants' reliance is adequately pled
2 because Defendants allege that had they known Plaintiffs objected to
3 their use of the recordings, Defendants would have stopped using the
4 recordings or obtained a license, thereby limiting or eliminating their
5 liability. (Id. ¶ 61.)

6 Plaintiffs' arguments against the estoppel defense lack merit.
7 First, Plaintiffs argue that the FAA fails to allege an "overt,
8 affirmative misrepresentation" by Plaintiffs indicating their intent
9 that Defendants use the recordings. (Mot. at 12.) As stated above,
10 however, no such overt misrepresentation need be alleged. A copyright
11 holders' silence or inaction in the face of an infringement can give
12 rise to an estoppel defense, particularly where such inaction is
13 prolonged. See Field, 412 F. Supp. 2d at 1117 (granting summary
14 judgment for defendant on an estoppel defense where plaintiff "remained
15 silent regarding his unstated desire" that plaintiff not use his work
16 in a particular way, all the while knowing that defendant would
17 interpret the silence as permission); Carson v. Dynegy, Inc., 344 F.3d
18 446, (5th Cir. 2003) ("It is accepted that estoppel may be accomplished
19 by a plaintiff's silence or inaction."); Hampton, 279 F.2d at 104 ("A
20 holding out may be accomplished by silence and inaction.")

21 Plaintiffs' second argument is that Defendants cannot reasonably
22 contend that they believed Plaintiffs' conduct constituted permission
23 to use the works without a license. (Mot. at 12-13.) In making this
24 argument, however, Plaintiffs misunderstand the procedural posture of
25 their motion. Plaintiffs' argument relies almost entirely on factual
26 matters that go far beyond the scope of the pleadings - for example,
27 Plaintiffs assert that "it is well-known" that Plaintiffs' CDs contain
28

1 explicit copyright notices, that Defendants never inquired of
2 Plaintiffs whether a license was needed, and that had Defendants so
3 inquired, Plaintiffs would have told them they needed a license.⁷ (Id.)
4 None of these purported facts are alleged in the Answer, nor are they
5 the proper subject of judicial notice. The Court's review on a motion
6 to strike is limited to the allegations in the pleadings, assuming such
7 allegations are true and making all inferences in Defendants' favor.
8 Under this standard, the estoppel defense is clearly sufficient.⁸

9 Plaintiffs Motion to Strike the Seventh Affirmative Defense is
10 DENIED.

11 **5. Waiver⁹**

12 Defendants' Eighth Affirmative Defense is waiver. In support of
13 the defense, Defendants allege that "in order to encourage the Show to
14 use its music, UMG provided the Show with the music that was played on
15 the Show and actively encouraged the Show to use that music, knowing
16 all along that the Show was not paying for formal master use licenses."
17 (FAA ¶ 54.)
18

19
20
21 ⁷ If Plaintiffs believe such facts are undisputed and would conclusively defeat the
estoppel defense as a matter of law, they may assert such an argument by way of a
summary judgment motion.

22 ⁸ Plaintiffs also argue for the first time in their reply brief that the FAA
does not allege that Plaintiffs knew the Defendants' use was infringing -
23 that is, Defendants allege only that Plaintiffs knew they were using the
recordings but not that Plaintiffs knew Defendants did not have a license
to do so. (Reply at 12-13.) This argument is simply inaccurate. The FAA
24 clearly alleges that "UMG expected the Show to use its recorded music in
these and other instances, with full knowledge that it had not charged the
25 Show for master-use licenses." (FAA at 2, and ¶ 54.) For purposes of this
motion, the Court must accept this allegation as true.

26 ⁹ Waiver and estoppel are related but distinct concepts. Waiver is "an intentional
relinquishment or abandonment of a known right or privilege." Johnson v. Zerbst,
27 304 U.S. 458, 464 (1938); United States v. King Features Entertainment, Inc., 843
F.2d 394, 399 (9th Cir. 1988). Waiver requires an intent to relinquish the right,
28 whereas estoppel does not; estoppel requires detrimental reliance, whereas waiver
does not.

1 Plaintiffs argue that the defense is insufficient because none of
2 the allegations show an express waiver of Plaintiffs' rights, and the
3 mere failure to act upon knowledge of Defendants' infringement is not
4 sufficient. (Mot. at 14) (citing ABC, Inc. v. PrimeTime 24, Joint
5 Venture, 17 F. Supp. 2d 478, 485 (M.D.N.C. 1998), *vacated in part on*
6 *other grounds*, 184 F.3d 348 (4th Cir. 1999)).¹⁰

7 "Strictly speaking, 'waiver' itself does not serve as a defense to
8 copyright infringement. Instead, *abandonment* of the copyright . . .
9 constitutes an effective defense in an infringement action." NIMMER ON
10 COPYRIGHT § 13.06 (revised ed. 2009). Waiver or abandonment of copyright
11 protection "occurs only if there is an intent by the copyright
12 proprietor to surrender rights in his work." Wyatt Technology Corp. v.
13 Malvern Instruments, Inc., No. CV 07-08298 DDP (MANx), 2009 WL 2365647,
14 at *11 (C.D. Cal. 2009) (citing A&M Records, Inc. v. Napster, Inc., 239
15 F.3d 1004, 1026 (9th Cir. 2001)). Abandonment of one's copyright must
16 be manifested by "some overt act indicative of a purpose to surrender
17 the rights and allow the public to copy." Hampton v. Paramount
18 Pictures Corp., 279 F.2d 100, 104 (9th Cir. 1960); Micro Star v.
19 Formgen, Inc., 154 F.3d 1107, 1114 (9th Cir. 1998).¹¹

20
21 ¹⁰ Both parties rely on ABC, Inc., 17 F. Supp. 2d 478, when asserting arguments on
22 the waiver defense. While ABC, Inc. contains an extensive analysis of the waiver
23 argument, it is important to note that the issue in ABC, Inc. was whether
24 plaintiffs' conduct constituted a waiver of certain statutory rights under the
25 Satellite Home Viewer Act related to plaintiffs' copyrighted network programming,
26 rather than a waiver of the copyrights themselves. 17 F. Supp. 2d at 484-85.

27 ¹¹ For example, in Hadady Corp. v. Dean Witter Reynolds, Inc., 739 F. Supp.
28 1392, 1399 (C.D. Cal. 1990), the court found that plaintiff abandoned his
copyright in a weekly newspaper where the newspaper included a notice that
stated that the copyright would only last for two days. Similarly, in
Wyatt Technology Corp. v. Malvern Instruments, Inc., 2009 WL 2365647, the
plaintiff abandoned its copyright in software called "PSI Books" where the
front page of PSI Books contained the statement: "Currently, there are no
restrictions on this material. You may install it on as many PC systems as
you like, and you may distribute it freely to your colleagues." Id. at
*12; see also Pacific & Southern Co. v. Duncan, 572 F. Supp. 1186, 1196
(N.D. Ga. 1983), *aff'd*, 744 F.2d 1490 (11th Cir. 1984) (finding an intent
to abandon copyright where plaintiff destroyed its only copy of the work).

1 Plaintiffs are correct that a copyright owner's failure to act on
2 an infringement generally is insufficient to establish waiver or
3 abandonment. Hampton, 279 F.2d at 104; ABC, Inc., 17 F. Supp. 2d at
4 485; Paramount Pictures Corp. v. Carol Publ'g Group, 11 F. Supp. 2d
5 329, 337 (S.D.N.Y. 1998); Dodd, Mead & Co. v. Lilienthal, 514 F. Supp.
6 105, 109 (S.D.N.Y. 1981); but see Stuff v. E.C. Publications, Inc., 342
7 F.2d 143, 144 (2d Cir. 1965) (plaintiff abandoned copyright and
8 dedicated the work to the public where "a great volume" of copies of
9 the work circulated without any copyright notices and the owner
10 authorized or acquiesced in the circulation). Further, abandonment of
11 rights in a certain copyrighted work does not, without more, act as a
12 blanket waiver or abandonment of rights to others. ABC, Inc., 17 F.
13 Supp. 2d at 485; Micro Star, 154 F.3d at 1114, (9th Cir. 1998)
14 ("abandoning some rights [under copyright law] is not the same as
15 abandoning all rights.") Although waiver or abandonment need not be
16 express, implied waivers are not favored in the law and require,
17 "clear, decisive and unequivocal conduct indicating an intent to waive
18 the legal right involved." ABC, Inc., 17 F. Supp. at 485 (citing CHARLES
19 A. WRIGHT & KENNETH W. GRAHAM, JR., FEDERAL PRACTICE AND PROCEDURE, EVIDENCE § 5033
20 (1977)).

21 Although this is somewhat of a close call, the Court finds that
22 Defendants' FAA is sufficient to state a plausible waiver or
23 abandonment defense. Defendants have alleged more than Plaintiffs'
24 mere inaction in the face of alleged infringement; Defendants have
25 alleged that Plaintiffs' employees and representatives sent Defendants
26

27 In each of these cases, the copyright holder's conduct indicated that it
28 had abandoned any copyright protection.

1 copies of the copyrighted sound recordings and affirmatively urged
2 Defendants to play the recordings on the Show, all the while knowing
3 that Defendants did not have licenses. Accepting these allegations as
4 true, this may be sufficient to demonstrate clear, decisive and overt
5 conduct indicating a waiver or abandonment of Plaintiffs' rights.

6 Accordingly, Plaintiffs' Motion to Strike the Eighth Affirmative
7 Defense is DENIED.

8
9 **6. Unclean Hands**

10 Defendants' Ninth Affirmative Defense of unclean hands is based on
11 the allegations that Plaintiffs acted inequitably by actively promoting
12 their music and sound recordings through the Show, by urging the Show
13 to play their sound recordings and sending such recordings to
14 Defendants, by failing to ask for licenses for the recordings for over
15 five years, by realizing benefits in terms of increased publicity and
16 CD sales from the Show's use of Plaintiffs' music, and then demanding
17 that the Show finally acquire a license after Defendants had allegedly
18 infringed upon their copyrights for years. (FAA at 3, ¶¶ 51-54, 57,
19 59-62).

20 Plaintiffs argue that the unclean hands defense fails because it
21 provides insufficient notice to Plaintiffs of the claim and because the
22 defense is equitable in nature and only applies to equitable claims.
23 These arguments lack merit.

24 First, the defense is properly pled. The unclean hands defense is
25 an equitable defense available where the plaintiff engages in wrongful
26 conduct that "in some measure affect[s] the equitable relations between
27 the parties in respect to [the claims] brought before the court for
28

1 adjudication." Dream Games of Arizona, Inc. v. P.C. Onsite, 561 F.3d
2 983, 990 (9th Cir. 2009) (quoting Mitchell Bros. Film Group v. Cinema
3 Adult Theater, 604 F.2d 852, 863 (5th Cir. 1979)). Additionally, the
4 defendant must demonstrate that the plaintiff's alleged wrongful
5 conduct personally injured defendant. Id.; see Metro-Goldwyn Mayer
6 Studios, Inc. v. Grokster, Ltd., 518 F. Supp. 2d 1197, 1223 (C.D. Cal.
7 2007). Here, Defendants have provided adequate notice of the basis of
8 their unclean hand defense.¹² In essence, Defendants allege that
9 Plaintiffs inequitably laid a trap for Defendants, or at least allowed
10 Defendants to fall into one, by encouraging the unlicensed use of
11 Plaintiffs' works, reaping the benefits of such use, and then suing
12 years later for damages due to the alleged infringement. The alleged
13 misconduct relates directly to the relations between the parties and
14 the infringement claims at issue in this lawsuit. Whether the unclean
15 hands defense will ultimately have any merit given the factual
16 development of this case cannot be resolved on a motion to strike.

17 Second, the defense need not be stricken simply because it is
18 equitable in nature. The unclean hands defense "has been held
19 available in a copyright infringement action regardless of whether the
20 action is one at law or in equity." NIMMER ON COPYRIGHT § 13.09[B]
21 (revised ed. 2009) (citing cases); see Societe Civile Succession
22 Richard Guino v. Beseder, Inc., No. CV 03-1310-PHX-MMH, 2006 WL
23

24 ¹² The cases cited by Plaintiffs do not support their argument. In T-Mobile USA,
25 Inc. v. Wireless Exclusive USA, LLC, No. 3:08-CV-0340-G, 2008 WL 2600016, *3 (N.D.
26 Tex., July 1, 2008), the court struck defendants' unclean hands defense as
27 insufficiently pled where defendants' answer alleged only that "plaintiff's claims
28 are barred by the doctrine of unclean hands," without alleging any facts in support
of that conclusion. Similarly, in Reis Robotics USA, Inc. v. Concept Industs,
Inc., 462 F. Supp. 2d 897, 907 (N.D. Ill. 2006), the court struck the affirmative
defense where the answer stated only "[plaintiff's] claims are barred or limited by
laches, waiver, estoppel, unclean hands, or similar legal or equitable doctrines."
Id. In contrast to both T-Mobile and Reis Robotics, the Defendants here have
alleged specific facts in support of the unclean hands defense.

1 2917349, at *5 (D. Ariz., Oct. 6, 2006) ("The defense of unclean hands
2 applies in copyright infringement cases to prevent a plaintiff from
3 obtaining relief both in law and in equity.") (citing Supermarket of
4 Homes v. San Fernando Valley Bd., 786 F.2d 1400, 1408 (9th Cir. 1986));
5 Grokster, 518 F. Supp. 2d at 1223-24 (applying the unclean hands
6 defense to plaintiffs' claims of copyright infringement). Furthermore,
7 Plaintiffs' Second Amended Complaint not only seeks injunctive relief,
8 restitution, and other equitable remedies, but also alleges an
9 equitable claim under California's Unfair Competition Law, Business &
10 Professions Code § 17200 *et seq.* See Korea Supply Co. v. Lockheed
11 Martin Corp., 29 Cal. 4th 1134, 1144 (2003).

12 For these reasons, the Court DENIES Plaintiffs' Motion to Strike
13 the Ninth Affirmative Defense.

14 **7. Failure to Mitigate Damages**

15 Plaintiffs' first argument against the Tenth Affirmative Defense
16 for failure to mitigate damages is that the defense is inadequately
17 pled and does not give Plaintiffs notice of the factual basis for the
18 defense. The Court disagrees. In the FAA, Defendants incorporated by
19 reference paragraphs 50 to 62 when alleging the failure to mitigate.
20 (FAA ¶ 70.) These factual allegations provide sufficient notice of the
21 basis of the defense. Specifically, Defendants allege that Plaintiffs
22 knew that Defendants were using their sound recordings on the Show and
23 failed to demand license payments for many years, and further, had
24 Plaintiffs demanded license payments sooner, Defendants would have
25 stopped using Plaintiffs recordings on the Show thereby reducing their
26 liability and corresponding damages for later infringements. (See FAA
27 ¶ 61.) In sum, Plaintiffs' failure to demand that Defendants cease
28

1 the alleged infringement sooner led to additional alleged infringements
2 and additional damages. The basis of the defense is clear; indeed,
3 Plaintiffs adequately summarized the alleged factual basis for the
4 defense in their moving papers on this Motion to Strike. (Mot. at 16.)

5 Whether the mitigation defense has any plausible validity,
6 however, is another matter. Defendants have not cited, and the Court
7 has not found, any analogous cases in which the plaintiff's
8 acquiescence to defendant's infringement or its failure to object to
9 such infringement served as a basis to limit or reduce damages (other
10 than cases in which a valid statute of limitations or laches defense
11 existed).

12 Furthermore, as Plaintiffs correctly argue, the Copyright Act does
13 not contain a requirement that the copyright owner provide notice to an
14 alleged infringer as a prerequisite to filing suit or seeking damages.
15 See 17 U.S.C. § 504. To the contrary, the Ninth Circuit has expressly
16 held that "the Copyright Act does not provide for a waiver of
17 infringing acts [occurring] within the [statute of] limitation[s]
18 period if earlier infringements were discovered and not sued upon . . .
19 ." Roley v. New World Pictures, Ltd., 19 F.3d 479 (9th Cir. 1994).
20 Thus, the mere fact that Plaintiffs failed to sue on earlier alleged
21 infringements would not bar their right to sue for subsequent
22 infringements. Id.

23 The Court also finds persuasive Plaintiffs' argument that imposing
24 an implied notice requirement (under the guise of the doctrine of
25 failure to mitigate damages) as a condition to Plaintiffs' remedies
26 under the Copyright Act conflicts with the purposes of the Copyright
27 Act. In American Society of Composers, Authors, and Publishers by
28

1 Bergman v. Pataki, 930 F. Supp. 873, 879 (S.D.N.Y. 1996), the court
2 enjoined enforcement of a New York statute requiring copyright owners
3 to provide notice to an alleged infringer within 72 hours of the
4 copyright owner's investigation of possible infringement. Id. The
5 court found that the statute conflicted with and was preempted by the
6 Copyright Act. Id. at 878-79. Specifically, the court held that the
7 72-hour notice requirement hinders a copyright owners' ability to
8 detect a pattern of ongoing infringement, which is a prerequisite to
9 obtaining injunctive relief and enhanced statutory damages for
10 willfulness. Id. at 879. Furthermore, the court reasoned:

11 The notice requirement also presents a conflict with the
12 federal statute of limitations. Statutes of limitations
13 generally serve to ensure fairness to defendants; "such
14 statutes promote justice by preventing surprises through the
15 revival of claims that have been allowed to slumber until
16 evidence has been lost, memories have faded, and witnesses
17 have disappeared. . . . Congress established a three-year
18 statute of limitations for infringement suits, see 17 U.S.C.
19 § 507, and thus determined that three years is the
20 appropriate amount of time required to ensure fairness to
21 alleged infringers. . . . The notice requirement is thus a
22 limiting device which serves the same purpose as the federal
23 statute of limitations: to ensure fairness to alleged
24 infringers. Under the Supremacy Clause, the state has no
25 power to resist Congress's determination of fairness as
26 embodied in the federal statute of limitations, and its
27 attempt to do so conflicts with federal law.

28 Id. at 879.

 This rationale is applicable to the mitigation defense as well.
That is, reducing Plaintiffs' damages for infringements occurring
within the statute of limitations period because of their failure to
affirmatively stop those infringements at an earlier time is
inconsistent with the statute of limitations provided for by the
Copyright Act, 17 U.S.C. § 507(b).

1 This is not to say that Plaintiffs' alleged delay in enforcing
2 their rights is irrelevant; to the contrary, it may preclude liability
3 altogether for certain infringements if the laches or statute of
4 limitations defenses are successful. However, the Court agrees with
5 Plaintiffs that Defendants' Tenth Affirmative defense is duplicative
6 and redundant of the statute of limitations defenses and the laches
7 defense. Thus, even assuming the mitigation defense has some validity,
8 it is unnecessary and redundant.

9 Accordingly, Plaintiffs' Motion to Strike the Tenth Affirmative
10 Defense is GRANTED WITHOUT LEAVE TO AMEND.

11 **8. Laches**

12 Defendants' Third Affirmative Defense is laches. Laches is an
13 equitable time limitation that bars an action where the plaintiff's
14 unexcused or unreasonable delay in enforcing its rights has prejudiced
15 defendant. Boone v. Mechanical Specialties Co., 609 F.2d 956, 959 (9th
16 Cir. 1979). To establish a laches defense, the defendant must prove
17 (1) an unreasonable delay by the plaintiff in enforcing its rights, and
18 (2) prejudice to defendant. Kling v. Hallmark Cards, Inc., 225 F.3d
19 1030, 1036 (9th Cir. 2000).
20

21 Defendants allege that Plaintiffs unreasonably delayed in bringing
22 their claims for infringement because Plaintiffs were aware that from
23 September 2003 to February 2009 Defendants were using their recordings
24 on the Show without licenses, but did not send a cease and desist
25 letter until February 2009. (FAA ¶¶ 59-60.) Further, Plaintiffs
26 allegedly "made repeated inquiries regarding the Show not paying for
27 master-use licenses but did not demand that the Show pay for licenses
28 or stop using its recorded music [until 2009]." (Id. ¶ 60.)

1 Defendants allege that the delay prejudiced them because they continued
2 to use the recorded music without licenses, and that had Plaintiffs
3 diligently pursued their claims, Defendants would have stopped this
4 practice and avoided liability. (Id. ¶ 61.)

5 Plaintiffs contend that a laches defense fails as a matter of law
6 in a copyright infringement action where the action is brought within
7 the Copyright Act's three-year statute of limitations period.¹³
8 Plaintiffs argue that where Congress has provided for an express statute
9 of limitations to govern the action, the Court cannot contract that
10 time period by applying the doctrine of laches to bar an otherwise
11 timely claim. (Mot. at 1-3.) Plaintiffs rely primarily on case law
12 from other circuits to support their argument, as well as a Ninth
13 Circuit case outside of the copyright context. While the Court
14 recognizes that some circuits have adopted the rule put forth by
15 Plaintiffs, the Ninth Circuit is not one of them. See Chirco v.
16 Crosswinds Communities, Inc., 474 F.3d 227, 231-34 (6th Cir. 2007)
17 (explaining the circuit split regarding whether laches is an available
18 defense to a copyright infringement action).

19 Plaintiffs' argument is unequivocally precluded by Kling v.
20 Hallmark Cards, Inc., 225 F.3d 1030 (9th Cir. 2000). In Kling, Heywood
21 Kling was hired by DIC in 1983 and 1984 to write scripts for a series
22 of television specials featuring the characters Rainbow Brite and
23 Robotman. Id. at 1031. DIC agreed to assign to defendant Hallmark the
24 copyrights in all material created by or for DIC. Id. Kling wrote the
25

26 ¹³ Notably, if a claim is not brought within the Copyright Act's statute of
27 limitations period, the laches defense is unnecessary because the claim is already
28 barred by the statute of limitations. Defendants have also alleged an affirmative
defense of statute of limitations, which Plaintiffs do not challenge in this Motion
to Strike.

1 scripts. From 1984 to 1986, Hallmark registered copyrights to the
2 television specials Kling had written. Id. at 1033. In 1984, Kling
3 raised a dispute with DIC regarding card credit - Kling wanted
4 "Developed by" credit - in episodes of Rainbow Brite and Robotman that
5 were not written by Kling but featured the characters Kling had
6 developed in his earlier scripts. Id. During the course of the
7 dispute, DIC's counsel sent Kling a letter stating that the work
8 performed by Kling was a work-for-hire for copyright purposes, and that
9 DIC was the rightful owner of all results and proceeds of the work.
10 Id. The parties eventually resolved the credit dispute but did not
11 come to any agreement as to copyright ownership. Id. at 1033-34.

12 In 1988, Kling died. Six years later in 1994, his widow, Mary
13 Kling was in a Blockbuster Video store and noticed that the store was
14 renting video cassettes of the television specials featuring the
15 Rainbow Brite characters, including the shows for which her husband had
16 written the scripts. Id. at 1034. Neither Mrs. Kling nor her husband
17 had authorized the making or distribution of video copies of the
18 television shows. Id. In August 1997, Mrs. Kling filed suit against
19 Hallmark, DIC, and others alleging copyright co-ownership and
20 infringement claims. Id. The district court granted summary judgment
21 in favor of defendants on the ground of laches and Mrs. Kling appealed.
22 Id.

23 On appeal, the Ninth Circuit addressed the issue of whether,
24 **assuming Mary Kling owned the copyrights**, the doctrine of laches barred
25 her from filing a claim for infringement based on infringing conduct
26 that began in 1985 but may not have come to either of the Kling's
27 attention prior to 1994. Id. In so doing, the Ninth Circuit not only
28

1 recognized laches as an available defense to a copyright infringement
2 action, but **expressly held** that a copyright owner's infringement claim
3 may fail under the laches doctrine even if the copyright owner complied
4 with the Copyright Act's statute of limitations. Id. at 1039. The
5 Ninth Circuit reasoned as follows:

6 This is not to say that the starting point for laches will
7 always be the same as the starting point for the statute of
8 limitations for copyright infringement. The statute provides
9 that 'no civil action shall be maintained . . . unless it is
10 commenced within three years after the claim accrued.' 17
11 U.S.C. § 507(b). Applying this statute, this court has held
12 that a 'cause of action for copyright infringement accrues
13 when one has knowledge of a violation or is chargeable with
14 such knowledge.' Roley, 19 F.3d at 481 (citing Wood v. Santa
15 Barbara Chamber of Commerce, Inc., 507 F. Supp. 1128, 1135
16 (D. Nev. 1980)). But while a statute of limitations is
17 triggered only by violations - i.e., actual infringements -
18 the laches period may be triggered when a plaintiff knows or
19 has reason to know about an impending infringement. . . .
20 **Thus, a copyright holder would be vulnerable to the laches**
21 **defense if he had knowledge of a planned infringement more**
22 **than three years prior to the filing of his action, even if**
23 **he complied with the statute of limitations by filing it less**
24 **than three years after the infringement actually began.**

25 Id. at 1039 (emphasis added). In reaching the conclusion that
26 knowledge of planned infringements could bar an infringement claim
27 under a laches defense, the court focused on the equitable nature of
28 the defense: "It must be obvious to everyone familiar with equitable
principles that it is inequitable for the owner of a copyright, with
full notice of an intended infringement, to stand inactive while the
proposed infringer spends large sums of money in its exploration, and
to intervene only when his speculation proved a success." Id. (quoting
Learned Hand in Haas v. Leo Feist, Inc., 234 F. 105, 108 (S.D.N.Y.
1916)).

29 The court then applied the rule to Mrs. Kling's case. The
30 district court had concluded that Mrs. Kling properly brought her claim

1 within the three-year statute of limitations under the Copyright Act
2 because there was no way for her to know of the actual infringement -
3 the release of the specials on video cassettes - prior to her 1994 trip
4 to the Blockbuster Video store. Id. at 1039. The Ninth Circuit did
5 not disturb this ruling on appeal. Id. Instead, the Ninth Circuit
6 addressed "the broader question" of whether laches barred Mrs. Kling's
7 claim because either she or her husband knew or should have known of
8 "an actual or impending infringement before 1994." Id. The court
9 ultimately concluded that the parties' pre-1994 correspondence created
10 a triable issue of fact on this issue, denied defendants' summary
11 judgment motion, and remanded the action for trial. Id.

12 In sum, Kling unequivocally held that the three-year statute of
13 limitations provided for in the Copyright Act, 17 U.S.C. § 507, does
14 not preclude a defendant from asserting a laches defense to an
15 infringement action. This is true whether or not the infringement
16 claim is timely filed within the limitations period.

17 This rule was affirmed one year later in Danjaq LLC v. Sony
18 Corporation, 263 F.3d 942 (9th Cir. 2001). Danjaq was a copyright
19 infringement suit involving certain films featuring James Bond.¹⁴ Ian
20 Fleming was the author of seven books featuring the James Bond
21 character. Id. at 947. In the late 1950s, Kevin O'Donovan McClory
22 ("McClory") was hired (along with others) to transform the books into a
23 screenplay. McClory produced the script materials that were the
24 precursor to the James Bond film *Thunderball*. Id. at 948. In so
25 doing, McClory purportedly transformed the James Bond character
26

27 ¹⁴ The factual and procedural background of the Danjaq matter is complicated and
28 spans several decades. The Court only summarizes those facts that are necessary to
the discussion here.

1 originally created by Fleming, who was described as a brooding
2 alcoholic, to the "cinematic James Bond character" - a charismatic and
3 marketable adventurer. Id. McClory also contended that he added
4 certain copyrighted elements to the script such as the organization
5 known as SPECTRE that James Bond battled against in the early films,
6 the villain Ernst Stavro Blofeld, and the theme of nuclear blackmail.
7 Id. McClory eventually acquired at least some of the rights to the
8 materials developed during the writing of the *Thunderball* script as
9 well as the copyright to a later novel, *Thunderball*, which was a
10 derivative work. See id. at 949.

11 Over the years, Danjaq LLC acquired the rights to Bond (with the
12 exception of the rights in *Thunderball*) which were passed on to them by
13 Fleming and producers Harry Saltzman and Albert "Cubby" Broccoli. Id.
14 at 947. From 1962 to 1999, Danjaq released 18 James Bond movies and
15 James Bond became a cinematic icon and a huge box office success. Id.
16 at 949. In 1997, McClory brought a claim against Danjaq for copyright
17 infringement, alleging that eight of the James Bond movies released
18 from 1962 to 1999 infringed upon his rights by copying certain plot
19 elements that first appeared in his *Thunderball* works - namely, the
20 "cinematic James Bond character," SPECTRE, the villain Ernst Stavro
21 Blofeld, and the theme of nuclear blackmail. Id. The district court
22 held that McClory's claim was barred by the doctrine of laches and the
23 Ninth Circuit affirmed. Id. at 950.

24 While most of McClory's claims fell outside the three-year statute
25 of limitations (because the films were released decades prior to the
26 suit), at least some did not. Id. Specifically, McClory argued that
27 future releases of the earlier films on DVD constituted separate acts
28

1 of infringement and that his claim was timely with regard to those
2 subsequent releases. Danjaq, 263 F.3d at 953. The Ninth Circuit
3 rejected this argument, however, because "the allegedly infringing
4 aspect of the DVD is identical to the alleged infringements contained
5 in the underlying movie, [thus] the two should be treated identically
6 for purposes of laches." Id. at 953-54. McClory's decades-long delay
7 in asserting suit as to the original movie releases, which undoubtedly
8 prejudiced Danjaq, served to bar his infringement claim as to later
9 releases of those same films. Id. In reaching this holding, the
10 Ninth Circuit expressly "**reject[ed] McClory's argument that laches may**
11 **never bar a claim for infringement brought within the statute of**
12 **limitations.**" Id. at 954 (emphasis added). Citing to Kling, 225 F.3d
13 at 1039, the court stated:

14 We have already determined that laches may sometimes bar a
15 statutorily timely claim. . . . And, although such an
16 application of laches may be unusual, . . . it is appropriate
17 here. Even *leaving aside the special circumstances of re-*
18 *releases*, we concluded in any event that McClory's
extraordinary delay and the extraordinary prejudice to Danjaq
renders laches appropriate despite the statute of
limitations.

19 Id. (internal citations omitted) (emphasis added). In sum, the
20 Copyright Act's three-year statute of limitations does not preclude a
21 successful laches defense. Id.; see also, Jackson v. Axton, 25 F.3d
22 884, 888 (9th Cir. 1994)(doctrine of laches barred plaintiffs' claim
23 for a declaration of copyright ownership; court held that "laches may
24 apply whether or not the statutory limitations period runs."),
25 *overruled on other grounds by Fogerty v. Fantasy, Inc.*, 510 U.S. 517
26 (1994); see II Paul Goldstein, Goldstein on Copyright § 11:32 (2005)

1 ("Laches may be asserted not only in infringement actions but also as a
2 defense to claims of ownership in a copyright.").

3 Plaintiffs argue that Kling and Danjaq are not applicable to the
4 infringement claims raised here because both Kling and Danjaq involved
5 "decades of old issues of copyright ownership" and copyright ownership,
6 unlike copyright infringement, is an equitable claim giving rise to
7 equitable defenses. (Reply at 1-2; Mot. at 4.) This argument is
8 simply inaccurate. While it is true that both Kling and Danjaq
9 involved issues of copyright ownership, the Ninth Circuit's rule
10 regarding the laches defense applied directly to claims of *copyright*
11 *infringement*, not ownership claims. Indeed, in Kling, the Ninth
12 Circuit stated at the outset that it was "proceeding on the assumption
13 that Mary Kling, the widow and successor in interest, owns these
14 copyrights" when deciding "whether the doctrine of laches bars her from
15 filing in 1997 a *claim for infringement*." 225 F.3d at 1032-33
16 (emphasis added). So too in Danjaq. In Danjaq, while the parties'
17 previous disputes involved ownership claims to copyrights in the
18 *Thunderball* script and novel, which formed the factual backdrop for the
19 discussion, the claim at issue was McClory's claim for infringement of
20 those rights. 263 F.3d at 950 ("The only claim that remain[s] in the
21 suit [is] [McClory's] third cause of action against Danjaq for 'Damages
22 and Profits from Copyright Infringement.'") Kling and Danjaq were both
23 infringement suits and the Ninth Circuit expressly applied the laches
24 defense to the infringement claims, notwithstanding the applicable
25 statute of limitations. Those rulings are controlling here.

26 The other cases cited by Plaintiffs do not assist them.
27 Plaintiffs rely in part on Lyons Partnership, L.P. v. Morris Costumes,
28

1 Inc., 243 F.3d 789, 798 (4th Cir. 2001), a copyright infringement
2 action in which the Fourth Circuit held that where Congress has
3 provided for an express statute of limitations period, the court
4 "should not apply laches to overrule the legislature's judgment." Id.
5 In Lyons Partnership, the court ruled that laches could not bar an
6 infringement claim brought within the statute of limitations. Id. But
7 Lyons Partnership is not controlling here. The Court recognizes that a
8 circuit split exists on the issue of whether laches can be applied in a
9 copyright infringement action. See Chirco v. Crosswinds Communities,
10 Inc., 474 F.3d 227, 231-34 (6th Cir. 2007) (discussing circuit split);
11 NIMMER ON COPYRIGHT § 12.06[A] (revised ed. 2009) (same). The Fourth
12 Circuit is recognized as taking the most restrictive view, prohibiting
13 the application of the laches doctrine altogether. Chirco, 474 F.3d at
14 231-32. As explained above, however, it is a view that the Ninth
15 Circuit (and others) unquestionably does not share. See NIMMER ON
16 COPYRIGHT § 12.06[A] (stating that "laches has an illustrious pedigree
17 across the circuits as a defense to a charge of copyright
18 infringement.") This Court is bound to follow the Ninth Circuit's
19 precedents in Kling and Danjaq.¹⁵

20 Furthermore, Miller v. Maxwell's International Inc., 991 F.2d 583
21 (9th Cir. 1993), is not a copyright infringement case. In Miller, the
22 Ninth Circuit held that the laches defense could not apply to
23 plaintiff's claim under the Age Discrimination in Employment Act
24 ("ADEA") because Congress had provided a two-year statute of
25 limitations to govern ADEA actions. Id. at 586. While the logic in
26

27 ¹⁵ For the same reason, the Court finds that the district court cases cited by
28 Plaintiffs, Zitz v. Pereira, 119 F. Supp. 2d 133, 142 (E.D.N.Y. 1999) and Rushing
v. Time Warner, Inc., No. 3:05CV474-H, 2006 WL 517674, *2 (W.D.N.C., March 1,
2006), conflict with binding Ninth Circuit authority and are not persuasive.

1 Miller certainly supports Plaintiffs' argument in a general sense, the
2 Ninth Circuit expressly rejected the same argument in Kling and offered
3 a rational explanation for why laches may apply in a *copyright*
4 *infringement action* even where the statute of limitations has run -
5 i.e., the statute of limitations is based on knowledge of actual
6 infringements whereas the delay requisite for laches can run from
7 knowledge of an anticipated infringement. Because Kling and Danjaq are
8 directly on point and Miller involves an entirely separate area of the
9 law, the Court follows the former.¹⁶ Finally, Jarrow Formulas, Inc. v.
10 Nutrition Now, Inc., 304 F.3d 829 (9th Cir. 2002), a trademark case
11 under the Lanham Act, merely held that if the claim "is filed within
12 the analogous state limitations period, the strong presumption is that
13 laches is inapplicable." Id. at 837. Jarrow Formulas, Inc. did not
14 preclude a laches defense in all circumstances, nor did it do anything
15 to disturb the rulings in Kling and Danjaq.

16 Plaintiffs' final argument (raised for the first time in their
17 reply brief) is that, even assuming the laches defense is not barred in
18 its entirety, the statute of limitations would provide a strong
19 presumption of timeliness and Defendants would have to show
20 extraordinary circumstances to prevail on the laches defense. (Reply
21 at 2-3.) That may be true, see Danjaq, 263 F.3d at 952, 954, but
22 whether such "extraordinary circumstances" exist in this case is a
23 highly fact-intensive inquiry that cannot be resolved on a motion to
24 strike. See Kling, 225 F.3d at 1041 (noting that a claim of laches
25
26

27 ¹⁶ Green v. City and County of San Francisco Cal., No. C. 06-6953 SI, 2007 WL
28 521240, *2 (N.D. Cal., Feb. 15, 2007) is an employment case under the Fair Labor
Standards Act, not a copyright case.

1 depends on a close evaluation of all the particular facts in a case and
2 is seldom susceptible even to summary judgment.)

3 For the reasons stated, the Court concludes that laches is an
4 available defense to a copyright infringement action, notwithstanding
5 the applicable statute of limitations.¹⁷ Defendants' First Amended
6 Answer states a laches defense that is plausible on its face.
7 Accordingly, Plaintiffs' Motion to Strike the Third Affirmative Defense
8 is DENIED.

9
10 **VI. CONCLUSION**

11 For the reasons stated, Plaintiffs' Motion to Strike the First,
12 Third, Seventh, Eighth, and Ninth Affirmative Defenses IS DENIED.

13 Plaintiffs' Motion to Strike the Fifth Affirmative Defense is
14 GRANTED WITH LEAVE TO AMEND. Defendants are granted 20 days from the
15 date of this Order leave to amend the Fifth Affirmative Defense.

16 Plaintiffs' Motion to Strike the Fourth and Tenth Affirmative
17 Defenses IS GRANTED WITHOUT LEAVE TO AMEND. The Fourth and Tenth
18 Affirmative Defenses are stricken.

19 IT IS SO ORDERED.

20
21
22 DATED: 06/28/10



23 STEPHEN V. WILSON

24 UNITED STATES DISTRICT JUDGE
25

26 ¹⁷ The Court need not determine whether the laches defense is an available defense to
27 Plaintiffs' state law claims. The Court has concluded that the defense is
28 available in an infringement action brought under the Copyright Act; as such, even
if the defense is only a partial defense, it cannot be stricken from the First
Amended Answer.